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Economic Intelligence Weekly

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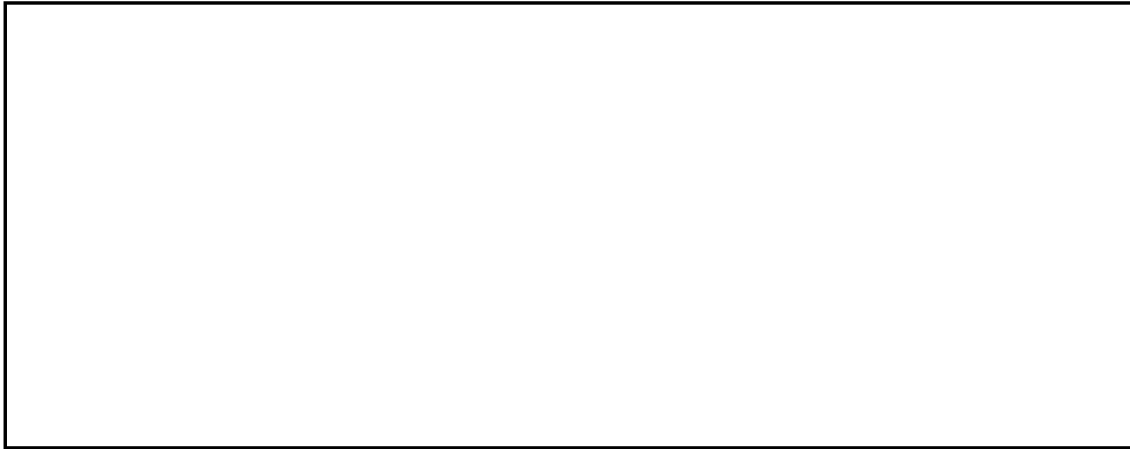
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Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs.

ECONOMIC INTELLIGENCE WEEKLY

Notes



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Venezuela: Possible Use of Oil as a Trade Lever

Both major candidates for Venezuela's presidency have endorsed the use of oil as a lever to assure necessary imports. The issue arose because Caracas is becoming concerned about looming shortages of industrial raw materials, particularly in the metallurgical and plastics industries. In addition, a Venezuelan official has proposed that petroleum be used to pressure industrialized countries to open their markets to Venezuelan manufactures.

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Chile Agrees to IMF Stabilization Program

The Chilean junta agreed last week to an IMF stabilization program aimed at bringing the inflation rate down to less than 100% in 1974, compared with more than 750% this year. The budget deficit is to be reduced substantially, and wage increases will be limited to 60% in January to be adjusted later in the year. Gradual devaluation of the banker's (merchandise) rate and revaluation of the broker's (tourist) rate will continue until a unified exchange rate is reached in 1974. The balance-of-payments gap is scheduled to drop from \$300 million to \$210 million, which must be financed by new credits. The IMF mission will in turn recommend that Chile be granted credits of \$95 million by the Fund.

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Westinghouse to Build Yugoslavia's First Nuclear Powerplant

Westinghouse signed a letter of intent with two Yugoslav electric enterprises last week to construct a 615-MW nuclear powerplant at Krsko. During the past two years the bidding was narrowed to Westinghouse, General Electric - Ansaldo, and Kraftwerke Union of West Germany. The Yugoslavs delayed the contract award as they negotiated for the best possible deal. Belgrad preferred Westinghouse technology and finally succeeded in having two gas turbine powerplants included in the \$200 million contract. The Ex-Im Bank made a special concession by agreeing to finance local costs, as well as the cost of US equipment, for the three plants. [REDACTED]

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Partial Financing Obtained for Copper Project in Peru

The US-owned Southern Peru Copper Corporation has obtained a \$200 million loan from 29 US and European banks to help finance the Cuajone copper mining project in southern Peru. Moderates in the Peruvian government had feared that the push to expropriate Cerro de Pasco holdings would prevent foreign financing for this project, which is important to Peru's export drive. The loan cannot be disbursed until the corporation raises another \$300 million for the project, signs long-term copper sales contracts, and obtains final approval from Lima. The Cuajone mine will be capable of producing about 180,000 tons of blister copper a year within three years of completion. [REDACTED]

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Japan Plans to Buy More 747s

Japan Air Lines plans to increase its inventory of Boeing 747s from 20 to 84 by 1979. JAL's 747 fleet will be the world's largest and will account for about three-fourths of its operations. Many of the planes will fly the new routes planned for the next five years - including those to Europe and the United States via China, as well as to Latin America and Africa. (UNCLASSIFIED)

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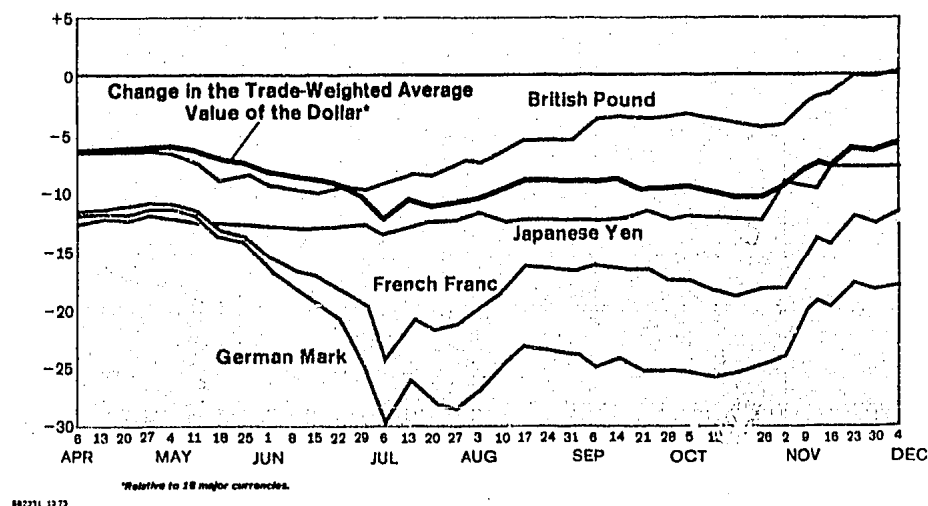
Articles

MONETARY DEVELOPMENTS IN NOVEMBER

The dollar experienced a rapid, almost uninterrupted appreciation in November. It is now at the highest level since May on a trade-weighted basis.

Among European currencies, the mark, guilder, and Belgian franc showed the sharpest drop. The first two replaced the Norwegian crown at the bottom of the European joint float band. The guilder's decline

PERCENT CHANGE SINCE 2 JANUARY 1973
IN THE VALUE OF THE US DOLLAR
RELATIVE TO SELECTED FOREIGN CURRENCIES



reflected the Arab embargo of oil shipments to the Netherlands. Deterioration in the value of the mark and franc resulted primarily from heavy German and Belgian dependence on oil supplied through Rotterdam. The mark's decline continued in the face of an announcement of another record trade surplus in October.

The Bank of Japan allowed the yen to depreciate from 270 to 280 yen per dollar in November. Pressures on the yen were generated by predictions of continuing balance-of-payments deficits and fears of economic disruption resulting from reduced oil imports. Depreciation was limited by the Bank's dollar sales of about \$2.2 billion. These sales required the Bank

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to cash in a sizable part of Japan's holdings of US Treasury bills and to withdraw special government deposits in commercial banks in order to hold down reserve losses. The decline in reserves for the month amounted to about \$850 million.

Traders speculate that the Big Five agreed in late November to maintain the dollar at the rate prevailing after last February's devaluation. These expectations could limit further dollar appreciation.

The gold market was quiet in the first half of the month. On 14 November the two-tier system was ended, permitting central banks to sell gold on the free market for the first time in five years. The price of gold quickly dropped more than \$10 an ounce, to \$90. When central bank sales failed to materialize, buyers returned to the market, pushing the price of gold up to its earlier level. [REDACTED]

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WORLDWIDE FOOD DEVELOPMENTS

World Wheat Supply

The International Wheat Council now estimates world wheat imports at 65 million tons and export availabilities at 65.5 million to 68 million tons for 1973/74. A month earlier the Council had estimated that the balance would be between a 2 million-ton deficit and a 5 million-ton surplus. The present projection is based on the assumption that stocks of exporting countries will be drawn down by 7 million tons, with the United States providing 5 million tons of the total. The Council's estimate of export availabilities clearly is too high because of Canada's reluctance to draw down stocks and because EC exports are unlikely to be as large as forecast. [REDACTED]

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Canada

Loadings of Canada's eastbound wheat exports are 1.4 million tons behind schedule as a result of the summer rail strike and subsequent shortage of boxcars. Wheat Board efforts to increase shipments through the St. Lawrence Seaway before the Seaway freezes are being hampered by the higher priority given crude oil tankers. Although the shortfall (about 10% of 1973/74 export commitments) can be made up next spring with little difficulty, demand for US wheat exports may be increased during the interim. [REDACTED]

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Bangladesh

A bumper rice harvest now under way should boost output to 12-1/2 million tons (milled equivalent) - 20% over last year when drought reduced yields. To rebuild stocks and increase consumption, the agriculture minister plans to maintain grain imports in 1974 at about 2.2 million tons. The tight grain market and Bangladesh's need for concessional terms will make it difficult for Bangladesh to import this amount. [REDACTED]

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USSR

According to the Chairman of the Soviet grain export organization, the USSR is unlikely to purchase US soybeans in the near future unless the price drops substantially. A bumper Soviet oilseed crop this year should provide sufficient vegetable oil for domestic requirements. [REDACTED]

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LDCs: GROWING DEBT SERVICE ON US AID

US aid to the less developed countries is being offset increasingly by their debt service payments. Since 1970, 13 countries have repaid the United States more than they have received in new aid disbursements, and 10 others

Ratio of Debt Service Payments to US Economy Aid Flows			
1971-72			
			Percent
Reverse Flows	75 - 100	51 - 75	35 - 50
Bahamas	Angola	Brazil	Costa Rica
Chile	Argentina	Ecuador	Cyprus
Greece	Lebanon	Egypt	Dominican Republic
Iraq		Ghana	Indonesia
Kuwait		Iran	Malaysia
Liberia		Israel	Morocco
Mexico		Philippines	Panama
Saudi Arabia			Peru
Spain			Zambia
Syria			
Taiwan			
Trinidad and Tobago			
Venezuela			

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have made payments exceeding one-half of new receipts. US aid to the Middle East and Latin America, in particular, has not kept pace with rising debt service obligations. Repayments consequently absorbed 75% and 62%, respectively, of US aid disbursements to those regions in 1971-72.

LDCs owed the United States more than \$22 billion at the beginning of 1973 and have debt service obligations equaling some 35% of new aid received, compared with a ratio averaging 20% during 1954-72. Debt service payments are expected to reach nearly \$2.5 billion by 1975, more than half again as much as last year. They will then equal roughly two-thirds of the new disbursements, if the present level of US aid to the LDCs continues.

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ENRICHED URANIUM: ANOTHER EUROPEAN SUPPLIER

The recently announced French gaseous diffusion plant could satisfy more than 15% of projected annual Free World demand for uranium enrichment services by 1985.

The \$1.6 billion facility will be built under the auspices of the French-led Eurodif organization, a group set up in 1972 to study the feasibility of such a plant based on French technology. France had threatened to proceed alone, but Italy, Spain, and Belgium agreed last week to back the project. Sweden, also a Eurodif member, probably will not. Although location and financial arrangements have not been set, Paris is pushing to start the project next month, near its small enrichment facility at Pierrelatte, with electricity supplied by four nuclear powerplants to be constructed on site.

The EC Commission and an international group of electric utilities support the development of European enrichment facilities based on both Eurodif's gaseous diffusion process and the West German - British - Dutch (Urenco) centrifuge process, which is scheduled to have demonstration plants operational by 1976. The EC Commission has recommended a voluntary "buy European" policy for the products of these facilities, at least until Europe's enrichment industry is solidly established. Eurodif and Urenco probably will coordinate their initial programs to avoid an oversupply during the early 1980s. Even without coordination, supply is unlikely to outrun demand. Prompted by the oil squeeze, France recently decided to build only nuclear electric powerplants after 1976.

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Publications of Interest



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The Economic Situation in South Vietnam, November 1973

(CIA ER IR 73-22, November 1973, [redacted])

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[redacted]

Key events in November were (1) continued inflation, (2) further improvement in the rice situation, (3) announcement of national budget proposals for 1974, (4) the filling of several important cabinet posts, and (5) the limited progress made in obtaining increased assistance from non-US sources.

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DOMESTIC ECONOMIC INDICATORS

GNP*
Constant Market Prices

	Latest Quarter	Percent Change from Previous		Average Annual Growth Rate Since		
		Quarter	Month	1970	1 Year Earlier	Previous Quarter
United States	73 III	0.9	5.0	5.7	3.7	
Japan	73 III	0.5	8.5	10.0	2.0	
West Germany	73 II	-2.3	3.6	6.2	-8.8	
France	73 II	0.7	6.2	8.7	2.9	
United Kingdom	73 II	0.7	4.6	9.5	2.7	
Italy	73 I	0.8	3.1	5.2	3.4	
Canada	73 III	0.4	5.7	6.9	1.7	

WHOLESALE PRICES
Industrial

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier	
United States	Oct 73	1.2	5.1	9.1	8.8	
Japan	Oct 73	2.0	6.1	20.3	26.3	
West Germany	Sep 73	-0.1	4.7	6.6	1.5	
France	Sep 73	-0.1	7.0	14.8	14.0	
United Kingdom	Oct 73	1.7	7.8	9.1	18.4	
Italy	Oct 73	2.0	8.8	20.1	15.6	
Canada	Sep 73	-0.7	10.0	24.6	45.0	

INDUSTRIAL PRODUCTION*

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	0.5	6.0	9.3	9.5	
Japan	Oct 73	1.2	9.3	17.6	10.2	
West Germany	Aug 73	5.9	4.0	8.5	-5.9	
France	Sep 73	-4.5	6.0	4.9	7.7	
United Kingdom	Aug 73	0.7	3.7	8.2	0	
Italy	Sep 73	4.4	4.9	19.5	25.8	
Canada	Sep 73	1.8	6.0	8.3	-3.4	

CONSUMER PRICES

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier	
United States	Oct 73	0.8	5.0	7.9	12.3	
Japan	Oct 73	0.4	8.1	14.2	17.9	
West Germany	Sep 73	0.3	5.8	6.4	0.8	
France	Oct 73	1.1	6.6	8.1	11.1	
United Kingdom	Oct 73	2.0	8.9	9.9	13.3	
Italy	Oct 73	0.8	7.3	11.0	8.3	
Canada	Oct 73	0.3	5.4	8.7	9.0	

RETAIL SALES*
Current Prices

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	2.1	11.5	10.9	8.7	
Japan	Jun 73	2.1	12.5	22.6	14.3	
West Germany	Aug 73	4.2	9.0	4.2	1.2	
France	Aug 73	-4.3	3.1	1.8	4.5	
United Kingdom	Aug 73	0.7	11.1	12.1	14.8	
Italy	May 73	2.3	11.3	20.4	22.3	
Canada	Sep 73	-0.3	10.6	13.6	5.8	

MONEY SUPPLY*

	Latest Month	Percent Change from Previous		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	0.4	7.1	5.0	1.9	
Japan	Aug 73	1.0	17.8	28.3	5.7	
West Germany	Sep 73	1.3	8.7	0.4	-12.3	
France	Jul 73	-2.7	11.6	5.9	13.4	
United Kingdom	Oct 73	0.2	10.3	8.9	1.4	
Italy	Apr 73	2.8	20.4	19.1	13.7	
Canada	Oct 73	0.7	13.4	13.8	10.9	

MONEY-MARKET RATES

	Representative Rates	Percent Rate of Interest				
		Latest Date	1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	30 Nov	8.00	5.12	9.00	7.88
Japan	Call money	23 Nov	9.25	4.25	7.50	8.75
West German	Interbank loans (3 Months)	30 Nov	13.00	8.12	13.75	14.25
France	Call money	30 Nov	11.25	6.88	9.38	11.25
United Kingdom	Local authority deposits	30 Nov	15.13	5.19	14.25	12.91
Canada	Finance paper	30 Nov	9.13	5.25	8.75	9.00
Euro-Dollars	Three-month deposits	30 Nov	10.36	6.06	11.44	9.38

*Seasonally adjusted.
**Average for latest 3 months compared
with average for previous 3 months.

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EXTERNAL ECONOMIC INDICATORS

EXPORTS*
f.o.b.

	Latest Month	Cumulative		
		Million US \$		Percent Change
		1973	1972	
United States	Oct 73	6,420	57,040	41.9
Japan	Oct 73	3,223	28,969	28.1
West Germany	Sep 73	6,288	48,889	43.8
France	Oct 73	3,378	30,120	39.5
United Kingdom	Oct 73	2,459	23,887	25.3
Italy	Aug 73	1,890	13,489	13.4
Canada	Aug 73	1,854	15,807	22.8

EXPORT PRICES
US\$

	Latest Month	Percent Change from Previous			Average Annual Growth Rate Since	
		Month		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Sep 73	-0.9	7.9	20.0	22.8	
Japan	Aug 73	2.9	13.0	24.8	38.3	
West Germany	Aug 73	-2.7	15.6	32.1	70.2	
France	Jul 73	0.5	15.3	29.1	53.2	
United Kingdom	Sep 73	-1.8	9.8	12.8	-8.1	
Italy	Jun 73	2.9	9.2	12.9	22.1	
Canada	Jul 73	2.7	8.2	13.1	12.0	

IMPORTS*
f.o.b.

	Latest Month	Cumulative		
		Million US \$		Percent Change
		1973	1972	
United States	Oct 73	5,900	58,356	24.1
Japan	Oct 73	3,081	25,312	68.0
West Germany	Sep 73	4,435	37,245	33.9
France	Oct 73	3,417	29,108	41.1
United Kingdom	Oct 73	3,185	27,815	36.5
Italy	Aug 73	2,317	15,074	37.1
Canada	Aug 73	1,914	14,890	22.0

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous			Average Annual Growth Rate Since	
		Month		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Sep 73	-0.9	7.9	20.0	22.8	
Japan	Aug 73	3.1	2.8	9.9	39.5	
West Germany	Aug 73	-1.9	0.9	-6.8	-4.4	
France	Jul 73	-2.5	4.6	5.8	0.9	
United Kingdom	Sep 73	0.5	9.1	12.8	15.5	
Italy	Jun 73	2.5	6.6	13.1	26.9	
Canada	Jul 73	2.8	5.1	14.8	11.8	

TRADE BALANCE*
f.o.b./f.o.b.

		Latest Month	Cumulative (Million US \$)		
		Million US \$	1973	1972	Change
United States	Oct 73	530	684	-5,228	5,912
Japan	Oct 73	181	3,858	7,384	-3,707
West Germany	Sep 73	1,832	11,824	6,228	5,388
France	Oct 73	-38	1,014	975	39
United Kingdom	Oct 73	-727	-3,928	-1,324	-2,804
Italy	Aug 73	-427	-1,584	903	-2,488
Canada	Aug 73	-60	917	714	204

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous			Average Annual Growth Rate Since	
		Month		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
United States	Sep 73	-0.8	10.0	18.7	12.7	
Japan	Aug 73	3.4	2.7	14.7	29.0	
West Germany	Aug 73	1.1	-0.2	2.8	-9.1	
France	Jul 73	0.2	3.1	8.4	0.6	
United Kingdom	Sep 73	5.5	14.8	41.5	65.2	
Italy	Jun 73	4.6	10.8	24.8	54.4	
Canada	Jul 73	1.5	5.2	11.8	17.5	

BASIC BALANCE**
Current and Long-Term-Capital Transactions

		Latest Period	Cumulative (Million US \$)		
		Million US \$	1973	1972	Change
United States*	73 II	-800	-1,700	-5,700	4,000
Japan	Aug 73	-770	-5,928	1,257	-7,183
West Germany	Jul 73	138	1,805	3,583	-1,988
France	73 II	17	-559	-202	-357
United Kingdom	73 II	-281	-1,348	-830	-717
Italy	72 IV	800	NA.	2,983	NA.
Canada	73 I	-272	-272	-117	-155

EXCHANGE RATES
As of 30 Nov 73

	Spot Rate	Percent Change from			
		US \$		18 Dec 1971	19 Mar 1973
		Per Unit	Dec 68		
Japan (Yen)	0.0036	29.43	9.98	-6.10	0
West Germany (Deutsche Mark)	0.3812	51.63	22.85	7.85	1.03
France (Franc)	0.2227	10.30	13.10	1.04	0.54
United Kingdom (Pound Sterling)	2.3438	-16.01	-10.05	-4.78	0.01
Italy (Lira)	0.0017	3.69	-3.49	-6.21	-0.08
Canada (Dollar)	1.0010	8.52	0.32	0.33	-0.11

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		End of	Jun 1970		3 Months Earlier
			Billion US \$	1 Year Earlier	
United States	Oct 73	14.4	18.3	13.3	14.0
Japan	Nov 73	13.2	4.1	18.4	15.1
West Germany	Aug 73	37.9	8.8	24.3	32.2
France	Oct 73	8.8	4.4	10.0	10.2
United Kingdom	Oct 73	8.8	2.8	5.9	6.6
Italy	Sep 73	6.5	4.7	6.4	6.0
Canada	Oct 73	5.8	4.3	6.2	5.8

TRADE-WEIGHTED EXCHANGE RATES***

	As of 30 Nov 73	Percent Change from			
		Dec 68		18 Dec 1971	19 Mar 1973
		1971	1973		
United States		-15.79	-6.41	0.29	-0.08
Japan		13.51	4.70	-7.23	-0.07
West Germany		28.75	11.51	6.92	0.87
France		-11.36	1.83	-0.61	0.25
United Kingdom		-35.10	-20.94	-6.57	-0.15
Italy		-17.34	-18.18	-9.33	-0.52
Canada		5.68	-0.91	0.73	-0.10

*Seasonally adjusted.
**Converted into US dollars at current market rates of exchange.
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***Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.